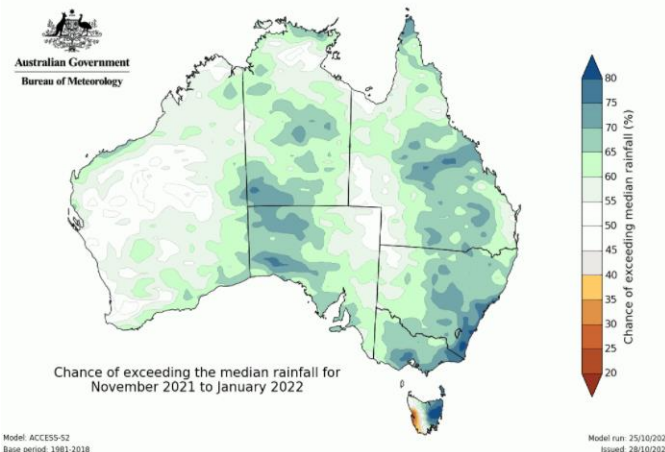
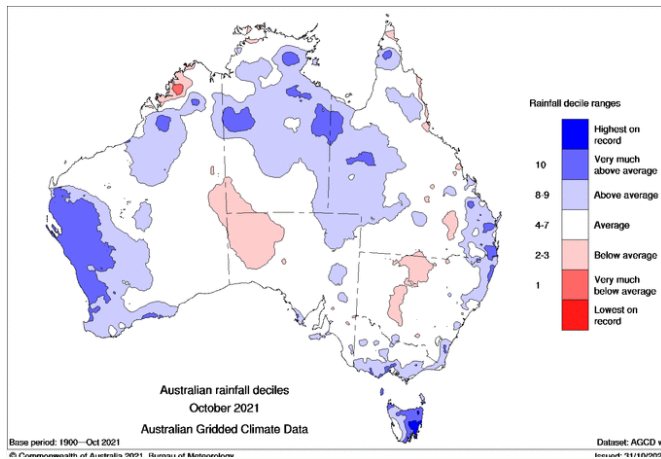


PRODUCTION INPUTS MONITOR

Issue 190 – October 2021

With a 70% chance of a La Niña forming this season, the Bureau of Meteorology's (BOM) forecasts above average rain this summer. Rain in October continued to support water availability, with seasonal determinations for high reliability water shares (HRWS) reaching 100% in all Victorian systems. However, the wet weather has started to impact the grain harvest and feed production in some regions. While prices for fodder and temporary water are subdued, grain and fertiliser costs continue to rise and cull cow prices values elevated.



Climate and seasonal outlook

Severe weather across eastern Australia saw two hailstorms hit the Mallee region in October. Consequently, damage to some wheat and barley crops was reported. Rainfall was above average in some parts of southwest Western Australia (WA) and along the east coast. While tropical Queensland experienced extremely warm weather, soil moisture levels remain average to above average in some areas. Across most of New South Wales (NSW), Victoria and southwest WA, soils are also quite wet.

Water temperatures in the tropical Pacific Ocean have been cooling, and most of the BOM's climate models suggest this will continue. The chance of La Niña occurring this year has increased to 70%, resulting in the El Niño Southern Oscillation (ENSO) outlook rising to La Niña alert. Climate models suggest the negative Indian Ocean Dipole (IOD) event will return to a neutral phase leading into summer. However, water temperatures around northern Australia are forecast to be warmer than average, adding to the likelihood of above average rain across

Australia in the coming months. As such, the BOM's November to January outlook forecasts above average rainfall for most of central and eastern Australia. Western Tasmania is the exception, with rainfall likely to be below median over the outlook period. This is partly caused by a positive Southern Annual Mode (SAM). After several months of heavy rain, the chance of extreme rainfall occurring in the eastern two-thirds of Australia ranges between 20% to 50%. Many regions of southeastern Australia sit within the top end of this range and with high streamflows likely for the rest of the year, the risk of widespread flooding remains.

Water availability and prices

With heavy rain continuing in October, so did releases from the Hume dam. However, a second spill occurred, resulting in deductions of about 165GL from Murray spillable water accounts. Some market analysts anticipate further deductions from these accounts, as the Hume dam is close to full. All monitored water storage sites filled further this month and remain above last year's levels, with the Waranga Basin and Lake Glenmaggie both close to total capacity (97% and 95%, respectively).

The wet outlook for seasonal determinations came to fruition on October 15th, with access to HRWS for the Victorian Murray system increasing to 100%. This signified all Victorian systems reaching 100% HRWS, substantially earlier than the last water season. As such, updates to seasonal determinations will now be released on a monthly basis. Access to low reliability water shares also increased to 100% in the Broken system. In the NSW Murray system, General C Class allocations increased to the maximum allowance of 110% - this is the first time since 2001/02 that allocations have exceeded 100%.

As above average rain supports water availability, prices of temporary water remain subdued. In the northern Victorian system, the value of water dropped 18% from last month, despite the volume of water traded increasing 35%. In the Murray Irrigation system, water prices fell 19% from September, whilst volumes traded increased 46%. While the volume of water traded in this system almost doubled compared to last year, volumes traded in the northern Victorian system fell 59%.

For more information on the latest New South Wales general security water allocation statement, please visit: https://www.industry.nsw.gov.au/__data/assets/pdf_file/0007/473713/WAS-NSW-Murray-and-Lower-Darling-20211015.pdf

Irrigation allocations (2021/22 at 15th October)

Victoria	HRWS	Change (HRWS)	LRWS
Murray	100%	+7%	0%
Broken	100%	-	100%
Goulburn	100%	-	0%
Campaspe	100%	-	0%
Loddon	100%	-	0%
Bullarook Creek	100%	-	100%
MID	100%	-	0%
NSW – Murray Irrigation Ltd	Allocation		Change
Class C-General Security	110%		+55%

Further details www.g-mwater.com.au, www.srw.com.au, www.murrayirrigation.com.au or www.waterfind.com.au

Temporary water trades	Oct-21	Oct-20	% Change
Northern Victoria	Source: Victorian Water Register, *Murray Irrigation Ltd		
1A Greater Goulburn	\$85	\$152	-44%
6 Hume to Barmah	\$89	\$170	-48%
7 Barmah to Nyah	\$115	\$250	-54%
Volume traded (ML)	158,254	386,046	-59%
Average price (\$/ML)	\$101	\$188	-46%
Murray Irrigation System*	Source: Victorian Water Register, *Murray Irrigation Ltd		
Volume traded (ML)	22,955	12,032	+91%
Average price (\$/ML)	\$80	\$163	-51%

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Feed, fertiliser and cull cow prices

Spot prices	Oct-21	Change (from Sep-21)	Change (from Oct-20)
Feed wheat (av. \$/t del Goulburn/Murray Valley)	\$345	+\$2	+\$55
Cereal hay (av. \$/t del Goulburn/Murray Valley)	\$190	\$0	-\$15

Source: AFIA, Profarmer

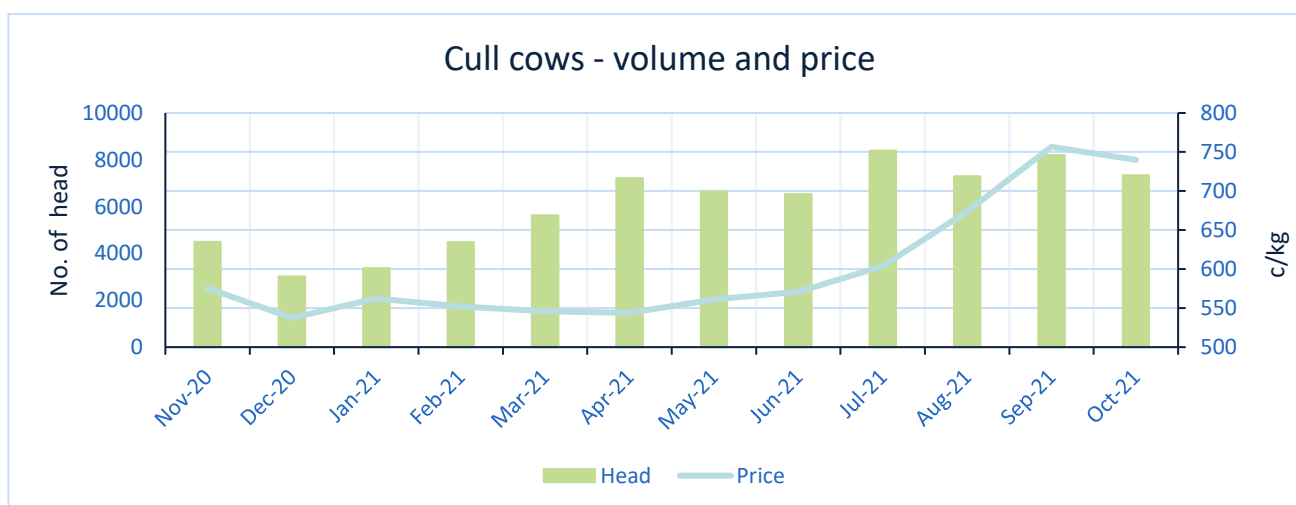
While drier weather in northern Australia has been favourable for the production of good quality cereal hay, many regions further south have been impacted by wetter conditions. Silage production has not yet begun in many of these areas, with paddocks inundated with water and drying times close to non-existent. Many growers and farmers are reportedly grazing off paddocks originally reserved for silage, with the intent to cut for pasture hay when the weather dries.

Harvest proceedings in some regions have also been delayed due to wet conditions, while in Queensland operations have picked up the pace. Drought in the northern hemisphere has decreased crop production forecasts, and as such, the USDA has estimated Australia will make up approximately 12% of global wheat exports in 2021/22. Two years ago, this was about 5%. However, given the rainfall outlook for the next few months and a looming La Niña event, weather is of great concern to many.

Global supplies of fertiliser tightened further as the customs department in China issued new inspection rules, directing ports to suspend receiving fertiliser products from October 15th. While this had the effect of restricting exports, fertiliser production in the EU remains limited despite aid from Russia for natural gas supplies. India continues to seek urea supplies as amounts tendered are not able to be filled by current global supplies. As such, urea prices surged 46%, significantly higher than last year.

While wet weather has impacted supplementary feed production, pasture growth is plentiful and there is still a lot of feed stored on farms. Nevertheless, some farmers have chosen to destock, in part to mitigate staffing challenges and ongoing firm beef prices. In October, prices grew 30% compared to last year and Australia's small cattle herd is expected to support elevated prices going forward. As a result, the number of cows passing through the saleyard has increased 39% since the start of 2021/22, compared to the year prior.

For a comprehensive overview of the market and indicative pricing for hay and feed grains, including canola meal, for key dairy regions across Australia, see Dairy Australia's Grain & Hay Report. Published most weeks: <https://www.dairyaustralia.com.au/industry-statistics/industry-reports>.



Source: NLRS, from saleyards within Vic

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	Oct-21	Monthly % change
Cereal hay		
Northern Australia (\$/tonne)	263	-5%
Southern Australia (\$/tonne)	190	0%
Western Australia (\$/tonne)	280	-2%
Wheat		
Northern Australia (\$/tonne)	325	+3%
Southern Australia (\$/tonne)	345	+0.5%
Western Australia (\$/tonne)	370	+1%
Futures prices (ASX)		
Wheat (av. \$/t Jan-22 east coast)	351	+1%
Barley (av. \$/t Jan-22 east coast)	257	-5%
Fertiliser		
DAP (US\$/tonne)	673	+5%
Urea (US\$/tonne)	613	+46%
MOP (US\$/tonne)	221	0%
Irrigation		
Northern Victoria		
Volume traded (ML)	158,254	+35%
Average price (\$/ML)	101	-18%
Murray Irrigation system*		
Volume traded (ML)	22,955	+46%
Average price (\$/ML)	80	-19%
Cull Cows		
Sales volume (head)	7,334	+11%
Average price (c/kg)	740	+2%
	YTD 2021/22	% change
Sales volume (head)	31,227	+39%
Average price (c/kg)	692	+25%

Sep-21	Aug-21	Jul-21
Source: AFIA		
275	275	269
190	190	190
285	295	300
Source: Profarmer		
315	308	295
343	328	301
365	353	338
Source: ASX		
347	350	327
270	272	250
Source: World Bank		
644	603	613
419	447	442
221	221	203
Source: Victorian Water Register, *Murray Irrigation Ltd		
117,497	308,309	251,949
123	98	122
15,722	12,640	17,759
99	85	92
Source: NLRS (saleyards within Vic)		
8,198	7,303	8,392
757	674	604
YTD 2020/21	YTD 2019/20	YTD 2018/19
22,487	31,742	28,748
553	466	374

To access more information on the Hay and Grain report click here

Grain report 

Hay report 

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